

Vermont Department of Education

Federal Fiscal Team Newsletter – February 2005 Edition

*Information about changing audit & fiscal issues related to grants
Please provide copies to appropriate staff.*

To: Superintendents, Business Managers, Program Managers, Directors

CC: Auditors, State Auditor of Accounts

Grant Documentation - Expenses charged to grants for conferences must include a list of the people attending the conference, the conference agenda, and the relationship of the conference to the purpose of the grant. A statement or an invoice from the company is not enough documentation to support charging the expenditure to a grant.



Missing revenues – Sometimes expenditures related to federal revenue advanced by the department are not reported in the audit. Our subgrantee passed the funds to another subgrantee and did not record the expense and the related revenue in their books. If your entity received federal funds from this department, it has a responsibility for those funds, and the funds should be properly recorded in the entity's books. If the funds are granted to another organization to conduct the program, the expenditure would be the payments on the subgrant.

Written policies for personal services

expenditures - The OMB Cost Principles indicate this type of expenditure is allowable if, in addition to meeting the purpose of the grant, it is reasonable for services rendered, properly documented, is legal, and follows written grantee policy. Ref OMB Circular A-87 B (8)

Superintendent of Schools' salaries &

expenditures are not allowable costs to be charged to a grant. The Cost Principles do not allow this type of expenditure. The position of Superintendent of Schools is required by Vermont law and, therefore, must be funded by the local budget. Federal guidance indicates federal funds are not to be used to supplant local funds. OMB Circular A-87(b) 19a

Audit Review - Every audit received in this office will be reviewed as soon as possible and will be closed as soon as all the issues found in the audit have been addressed. When an audit contains reportable conditions and questioned costs, the audit is saying:

(1) either the costs were not supported by adequate documentation, (2) costs appear to be unreasonable, (3) violation of a provision of the law, a regulation, the grant agreement, or other OMB guidance has occurred. Your entity could have to pay back at least the amount of funds related to the finding. The organization must generate a corrective action plan addressing the problem identified and the steps taken to prevent the problem from reoccurring. Until all the issues are completely resolved, the audit remains open. Continued failure to resolve the finding may result in the expenditures being disallowed and the suspension of new advances until the issues are resolved.

Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Ref 34 CFR 20.80 (2)

Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Ref 34 CFR 80.20 (3)

Budget control - When charging expenditures to a grant, please ensure the type of expenditure agrees with the types of expenditures approved in the grant's budget. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. If the expenditure wasn't approved in the grant budget, it could be disallowed. Ref 34 CFR 80.20 (4)

Newsletters are now posted on the Department of Education Web site:

www.state.vt.us/educ/new/html/pgm_finance_federal/guidance.html